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News Section

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Opening Of Congress: In these days just before a veritable throng of legislators descend at Union Station and head for the Senate and House Office Buildings, there is much discussion in the Capital about whether or not the Republicans will split on the subject of "modern Republicanism" and whether or not the White House will be able to shape the policy of the party on Capitol Hill.

The politicians generally entertain the opinion that the Palace Guard will enjoy the upper hand and some talkative souls — knowing-looking if not knowledgeable — insist that through the porous walls of the White House there leaks word of Palace Guard determination to get its way "on the Hill," no matter on whose toes it treads in the process. The prestige of that ten-million Ike majority would be the club whereby discipline would be obtained.

On the other hand, it is worth reporting that old staffers on Capitol Hill voice doubts that any such process can be accomplished. They say that one consideration which no GOP legislator will overlook is that Ike, by constitutional amendment, cannot run for office in 1960. Such a fact, it is claimed, tends to make the average Republican on the Hill more than a little bit independent.

Another consideration which cannot escape any member who scanned the November outcome is that the showing of hand-picked White House favorites of "new Republicanism" was dismal. McKay in Oregon, Thornton in Colorado, Langlie in Washington — all blessed by the Chief Executive — went down to defeat. Where two "modern Republican" candidates for the Senate did win office — in Kentucky — it was not Eisenhower's blessing, but Democratic Governor Happy Chandler's vigorous knifing of his party ticket that defeated the Democrats and sent two GOP Senators to Washington from a usually Democratic state. What can Ike do for us at the polls? — will be an unanswerable question.

Then there exists a school of thought that minimizes the possibility of any internecine struggle. Eisenhower showed good sense during the campaign, when he pushed aside efforts to intervene in the right-left clash within the Wisconsin GOP and Nixon sought to pour oil on troubled waters when the "liberals" in the GOP talked of "purging" certain right-wing members.

Finally, there are those observers who doubt

that any such intraparty controversy will stir up the public, which has had enough of politics for a while; and that Congress will follow a generally conservative course under the old coalition of conservative Southern Democrats and Northern GOP right-wingers.

On The Foreign Front: Nehru, during his famous closeting with Ike at Gettysburg, reportedly made no great impression on the President with his arguments in favor of an early meeting between Dulles and Red Foreign Secretary Chou En-lai, nor with his plea for entrance of Red China into the UN.

However, it is rumored that the President promised the Indian Premier \$200 million in foreign aid next year.

● Along diplomatic row, it is said that all the talk about U.S. aid for Tito springs from the fact that the Yugoslav dictator is having internal trouble, not only with the economy, but also with a new spirit of popular rebellion among his own people, which is born across the border from Hungary.

Not Merely Gossip: Talk about new appointments to the President's cabinet includes rumor that the Administration offered Herbert Hoover, Jr., the position of Secretary of Commerce to succeed incumbent Sinclair Weeks. This followed the matter of Hoover's departure from his present position as Undersecretary of State (as discussed in HUMAN EVENTS last week). Hoover declined the offer. It is recalled that his father held this post in the Harding and Coolidge Administrations and it provided a stepping stone to the elder Hoover's elevation to the presidency in 1928.

● Senator George Bender of Ohio, made a "lame duck" by his defeat for re-election in the November election, is reportedly interested in a Federal appointment, preferably an Ambassadorship. The chances are rated rather good, say reporters, inasmuch as Bender is a protégée of Secretary of Treasury George Humphrey, whose power in the Administration is considerable. The outgoing Senator has other powerful friends among the financial backers of the party. George, remark old colleagues on Capitol Hill, would make quite a colorful diplomat.

● Conservative members of the Senate contemplate offering a resolution to reassert the role

they think the body should play in the shaping of foreign policy. The plan springs from discontent with the way the State Department too often proceeds to chart policies without consulting Senate leaders. The resolution would emphasize the importance of Article II, Section 2, sub-section 2 in which it is laid down that the President "shall have power by and with the advice of the Senate to make treaties. . . ."

● When Congress opens, Senator Bricker is slated to throw into the hopper a version of his famous amendment to protect the U.S. from the dangers of treaty law. Friends of Bricker say that this version, while new, will be substantially the same as the one presented last year.

● "Secretary of Peace" Stassen has begun his drive for the GOP Presidential nomination in 1960. Aides of the former University of Pennsylvania President are pushing him either for the Senate seat now held by conservative Republican Ed Martin or for the governorship now held by Democrat George Leader. Queried by newsmen, Childe Harold "refuses to comment," which for him means he is "receptive."

Budget: Seemingly authentic reports — that the new Federal budget to be submitted to Congress next month will approach the astronomical total of \$73,000,000,000 — have economy-minded legislative leaders in a cold sweat of rage.

None are saying anything for attribution, pending next week's White House briefing at which they are supposed to be given a preview of the President's forthcoming fiscal program. Privately, they are seething and denouncing what they believe that program will be as "incredible" and "out-dealing the Fair Deal."

These legislators are willing to concede, grudgingly but realistically, that the Middle East and European crises of recent weeks have created conditions in which increased spending is virtually inevitable for both defense and foreign aid. Many do not like it, but see no real chance of stopping it.

What is arousing the ire of many is information they get to the effect that even proposed spending for routine domestic programs will reach new high levels. Farm aid, medical and other welfare benefits, veterans benefits, small business and depressed areas assistance programs — all such are reportedly rising.

Nor, on the basis of past experience, are the legislators overly optimistic about their chances of effecting any substantial savings in these domestic programs. They know that each individual item has tremendous appeal to some particular class or group, and that by the time the log-rolling is finished, all appropriations will be not far from what the President asked.

The only small ray of economy hope is a slim

one: that tax-cut advocates, including many "liberals," will realize that their only chance of victory lies in making substantial budget cuts and thereby creating a large-enough-to-see surplus. Consensus: possible, but far from probable.

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Labor: Another Taft-Hartley amendatory move is developing in the Capitol, independent of the Administration. It involves strengthening of the law's non-Communist affidavit section.

The proposal, being given very serious consideration would require the National Labor Relations Board to withhold recognition and all its services from a union any of whose officials are found to have falsely filed non-Communist statements.

The Supreme Court ruled very recently that, where such an affidavit is found to have been false, the only provision in the law is for criminal prosecution of the individual. It held the Board had no right to withdraw its recognition from the union in such a case.

Capitol critics say Congress intended that the affidavits must be valid for a union to be entitled to NLRB recognition.

Senator James O. Eastland, chairman of both the Internal Security Subcommittee and the powerful Judiciary Committee of the Senate, seeks the same thing but for a different reason.

He agrees with these critics of the Court decision, but more immediately, he says the Internal Security group's recent hearings in Hawaii convince him of the need for the change to permit island unioners to rid themselves of the Communist domination of Harry Bridges and his cohorts.

Eastland says the change also should provide some new method to allow rank and file anti-Communists in any union to initiate steps to eliminate Red control of their union hierarchy.

The Administration's only proposal in the past in connection with the non-Communist affidavit provision has been that it be made to cover employers as well as unions. The expectation is that this proposal will be the same this year.

Grants In Aid: Grants in aid by the Federal Government to the several states have been made, in part, because of one frequent argument, namely: that states can spend the money better, that they can operate without the hampering hand of the Federal bureaucracy. This is a fallacy which Alfred E. Driscoll, former Governor of New Jersey, reveals and denounces in the series of illuminating articles in the *Reader's Digest* (December, 1956-January,

1957). The truth is that actually Federal aid has become a source of staggering extravagance.

For instance, the case of Kansas City — as described by Driscoll — is typical. They got some money from the Federal Government so that they could make some improvement in their airport. But they found that Washington bureaucracy was the real boss in this project. Washington said a sand base was needed on which to pour concrete. K.C. pointed out that the airport, dredged out of the Missouri river, was itself a sand base upon which for years they had poured concrete satisfactorily. But Washington bureaucracy was adamant: four inches of river sand had to be scraped off the airport, hauled away and replaced with four inches of similar sand that was purchased and hauled in. As a result, the cost of the "improvement" turned out to be higher than if Kansas City had spent municipal funds alone.

Incidentally, Toledo, Ohio (says Driscoll) with four million dollars of its own, constructed an airport which it estimates would have cost up to three times as much with Federal aid. And the state of Washington just could not afford to construct a vehicular tunnel in the manner the U.S. Bureau of Public Roads said it must be done if its grants were used to meet part of the cost. So the state saved money by using its own funds and the specifications of its own engineers.

Additionally, there is the factor of the seldom-mentioned administrative cost. "Out in Indiana," said Representative Halleck, "we find that by the time our money goes to Washington and is sent back, the dollars shrink." Often it takes a lot of money just to process the grants. In the case of slum clearance, it was found that some 22½ cents is consumed as Federal overhead expense in making the dollar available.

Waste, boondoggling, downright dishonesty, is the sorry tale which Governor Driscoll tells about the operation of Federal grants in aid to the states.

The Governor quotes President Eisenhower's warning: "If you take the centralization shortcut every time something is to be done, you'll perhaps get quick action. But there is no perhaps about the price you will pay for your impatience; the growth of a swollen, bureaucratic, monster Government in Washington in whose shadow our state and local Governments will ultimately wither and die."

Foreign Aid: The three studies of foreign aid — Senate, House and White House — launched this year have thus far produced just one public report. In the dying days of the current Congress, lame-duck Chairman James P. Richards (D., S.C.) of the House Foreign Affairs Committee unveiled to a press conference what he called "an interim report" on the Committee's foreign-aid study.

Mr. Richards' views of the foreign aid program succinctly paraphrased are: "I came to praise Ceasar, not to bury him." The Palmetto State legislator believes in South Carolina's motto, *Dum spiro, spero* (while I breathe, I hope). Foreign aid appropriations, he informed the press, are a permanent feature of our annual budgets. It is chiefly a question of whether military and economic aid should continue to be lumped together or budgeted separately. Mr. Richards thinks they should be separated, that military aid should be part of the general military budget and that anything the U.S. military recommends should be granted without question.

In a vague sort of way the Chairman holds that after so many years of practice we should be making some economies that would materially cut down the cost of foreign aid, although he admits that this would cut out some jobs and might be resisted on that account. Hereafter, he reports, our foreign aid should be "underfinanced." Aid applicants should be put on notice that we cannot take care of all desires in full. Nor should we continue to force loans on others. Richards criticized Nehru for saying India would welcome a loan, yet not asking for one. Those who want our money should want it enough to ask for it, says the South Carolinian. More of our aid should take the form of loans that will be repaid sometime, somehow, he hopefully recommends. But end foreign aid? Hardly.

In the opinion of conservative observers here, Mr. Richards' long-awaited "report" reveals what a farce his committee has made of the House resolution calling for examination and reappraisal of the foreign aid program.

Letter from LEE de FOREST, Father of Radio:

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Our Vanishing Western States

Federal Interference Leads to Federal "Aid": Bill Introduced to Break This Vicious Circle

Many of our Western states are more in the nature of territorial provinces of the United States Government than they are sovereign states. In Nevada 87.1 per cent of the land is owned by the Government; in Utah, 70.2 per cent; in Idaho, 65.2 per cent. Other states in which the Government owns huge chunks of real estate include Oregon (51.3), Wyoming (47.8), California (47.0), Arizona (44.5), Colorado (36.3), New Mexico (33.7), Washington (29.9), Montana (29.9), and so on down the line. In the 48 states, Uncle Sam owns 407,900,000 acres, or 21.4 per cent of all the land in the country. Of this, 357,000,000 acres were reserved from the public domain and 51,000,000 acres were acquired, largely by purchase. In addition, 55,000,000 acres, consisting principally of Indian reservations, are held in trust by the Government, and civilian agencies administer 339,116,000 acres of Government land in Alaska.

Government ownership is heavily concentrated in the eleven Western states. About 89 per cent of the Federal lands, exclusive of Alaska and other territories, is located there. It is doubtful that these states can attain a "free and equal" footing with the original states, as contemplated by our Founding Fathers, as long as this Government monopoly continues.

The impact of Federal ownership is often felt acutely by counties and other smaller taxing jurisdictions. Many Western counties have over 75 per cent of their land areas in Federal ownership. A very large number have more than 50 per cent under the Federal thumb. In Idaho, for instance, seven out of 44 counties have more than 75 per cent of their lands in Federal ownership, and 20 have more than 50 per cent.

In disputes such as the recent fight over the Hell's Canyon dam, the continuing argument over Federal aid to schools and the case for the new Federal highway program, advocates of Federal aid constantly stress the

fact that the states are too "poor" to pay their own way. The network of federally owned lands is one of many reasons (all involving Federal encroachment) why some of the states are poor in tax resources. Estimates of state and local tax losses from Federal land ownership range from about one hundred to several hundred million dollars annually — despite the fact that Uncle Sam usually shares receipts from Federal lands with local taxing jurisdictions. As a 1954 report of the House Committee on Interior and Insular Affairs put it:

"... As of today, the states and the Federal Government have preempted most revenue sources other than that derived from the property tax; local Government contends that the presence of tax-exempt Federal property has so reduced the economic capacity of some local taxing units that their financial independence is in fact threatened."

State and local Governments deprived of tax revenues are not the only complainants. Many respected and responsible private organizations have also spoken against Federal ownership. The American Farm Bureau Federation has stated "that private ownership and operation of the Nation's land resources is in the national interest in most instances." The Farm Bureau sounds a warning against Federal domination over our natural resources and urges that more progress be made toward state participation and responsibility in their adequate development. It recommends the classification of all federally owned rural lands and the disposal of lands that may be efficiently managed and developed by private ownership. The Western States Land Commissioners Association recently requested Congress to grant 179,000,000 acres of public domain to the Western States, where the land lies, for the support of the common schools.

A step towards correcting these conditions was made last year by the Hoover Commission's Task Force on Real Property Management. The Task Force stated that some of the

lands purchased by the Government "have now become valuable for timber or for agricultural use and should be reviewed by disinterested experts to determine the advisability of their return to state or private ownership." The Task Force recommends that the President appoint a committee which would, among other things, study and submit recommendations as to the pattern of Federal land ownership which would provide maximum benefits to the national economy, and, according to that pattern, begin transferring lands to state or private ownership. A somewhat similar proposal was made by a study committee of the Kestnbaum Commission in 1955.

So that some legislation to guide these corrective efforts would come before Congress, Senator Russell Long of Louisiana introduced in the last session S. 3444, a bill to establish Federal-State Land Study Commissions. It was Long's belief that this bill, or something like it, would in a period of a few years aid greatly in the solution of existing problems.

Briefly, the bill provides for the establishment, at the request of any state, of a Land Study Commission in that state. Such commissions shall fairly represent Federal and state interests and shall study carefully the Federal landownership pattern, with a view to recommending to the President those Federal lands which should be in state or private hands. If the lands recommended for disposal are not needed for national defense, the President shall dispose of them to the states or the public at not less than their fair market value. Lands within National parks, wilderness areas, wildlife refuges, and similar special purpose reservations are excluded.

This measure would place the initiative for and actual conduct of the study where it belongs, within the boundaries of the state. The solution, when found, would represent the wishes of the state — modified by the national interest as represented by the Federal members of the Commission. State initiative would reassert the principle of state sovereignty, as conceived by the authors of the Constitution. There is no compulsion in the measure upon any state to request a Land Study if it is satisfied with its existing land-ownership pattern.

Article Section

PROFITS ARE THE WORKING MAN'S BEST FRIEND

By ROGER M. BLOUGH

Chairman, U. S. Steel Corporation

BEFORE every round of wage negotiations, some of those who claim to be the Working Man's Best Friend develop a sudden allergy towards profits. They tell the Working Man that industrial profits are too high; and they seek to convince him that his primary economic mission in life is to cut these profits down to size. They insist that in no other way can he hope to enter the Kingdom of Eternal Prosperity. And what puzzles me, of course, is how anyone who claims to be a friend of the Working Man can try, year after year, to hoodwink him that way.

I recall that some years ago, one of the song hits on Broadway was a gay and cynical little ditty entitled: "Diamonds Are a Girl's Best Friend." I cannot vouch for the theme of the song, of course, because it occurs to me that even diamonds may leave something to be desired — especially on cold nights. But of one thing, I have no doubt whatever — that in the economic sense, at least, the Working Man can never hope to find a better friend than a profit in the company for which he works.

In fact, if we will look realistically for a moment at this industrial society of ours, and if we ask ourselves who, among all of our people, is the principal beneficiary of the profits that we earn, we find that the answer, unquestionably, is: The Working Man.

What have profits done for him?

Well, they of course are the one and only source from which he can obtain what he wants and needs most; a job, a productive job, where he can utilize his skills and energies to his fullest advantage; where he can serve his fellow men to his benefit and theirs; and where he can gain a livelihood for himself and his family.

But that is only the beginning; for profits do much more for him than that. They have provided him with a host of mechanical slaves to relieve him of the backbreaking toil which his forefathers knew. They have lessened his hours of work and more than doubled his hours of leisure. They have greatly increased his safety on the job. They have multiplied his purchasing power steadily over the years. They have opened new job opportunities for his children and for their children. And they continue to provide him with the most enduring and reliable guarantee of job security that he will ever find.

Profits, in short, are the wellspring of all capital investment; and capital investment, under our economic system, is the fountainhead of all job opportunities. There are, of course, other economic systems, and I might point out that the workers in Communist Russia, for example, get a far smaller share of the total production than they get in our free, profit-and-loss economy; but that is hardly necessary.

Fortunately, the Communist siren song of "ownership in common" is now understood by almost all Americans to mean "ownership by Government" which is merely a modern form of ancient slavery. And great as the dangers of international Communism are, I doubt that internal Communism — apart from its espionage aspects — is any longer as serious a threat to our country as it was.

I also doubt that it is necessary to point out to any thoughtful Working Man what happens to his job when profits disappear. He understands that when a company is no longer able to earn a profit, it must soon go out of business, leaving its former employees stranded, without a job. To put in the words of a pioneer leader of American trade unionism, the late Samuel Gompers: "The worst crime against the working people is a company which fails to operate at a profit."

WHAT the Working Man sometimes does not understand, however, is that — as a result of postwar inflation — it is possible for a company to earn what appears to be a most substantial profit, and still wither away and die because this profit is not large enough to pay for the replacement of plants and facilities as fast as they wear out.

To illustrate this point, let me repeat an example that I cited to our stockholders last week. It concerned an open hearth plant we built 25 years ago, at a cost of about 10 million dollars; but today we find that it would cost us nearly 64 million dollars to replace it.

As a part of the cost of doing business, we have recovered the 10 millions we originally spent on this plant; but the remaining 54 millions must come out of our profits

after taxes. And this constitutes a little more than one-seventh of all of the profit we made last year.

Now what would it mean in terms of jobs if we did not have enough profit to replace this facility? Well, as nearly as I can figure it, the jobs of 15,000 of our employees depend, indirectly or directly, upon this one open hearth shop. It is an indispensable part of production starting with raw materials and ending with finished steel products. So it will take one-seventh of our total profit just to preserve the jobs that these 15,000 men already hold. That is about \$3,500 of profit per man. And whether the man knows it or not, that profit was the best friend he had, last year, economically speaking.

Yet this, of course, is only one facility. We have many other furnaces, mills, and machines which must be replaced, each year, if our 274,000 workers are to have a chance to remain secure in their jobs.

So, clearly, it is not enough that a company should merely make a profit. It must make an adequate profit if the Working Man's security is to be protected. And that, of course, is what every well-managed company is trying to do these days. But there seems to be a slight difference of opinion when it comes to defining the word "adequate." This disagreement — actually it's mostly a misunderstanding — seems to exist among the American people generally. There's a maximum of heat and a minimum of light on the subject. And possibly I could help reverse that condition by explaining just what is required to create and maintain a single job at U. S. Steel.

We know, of course, that before anything at all can be produced, someone has to save a part of his income and invest it

in plants, equipment, and materials. No one will do this unless he anticipates a profit. It is just this simple: no profits, no savings, no jobs. So we must have enough profit to attract enough capital to provide the job we seek to create. And how much capital is that?

Well, in the case of our newest plant, Fairless Works, it required about \$65,000 worth of equipment to provide a job for just one man, at today's level of employment there!

And that accumulation of capital and tools is the reason — the only reason — that the average American has about ten times as much goods and services at his disposal as does the average person in the less prosperous half of the world.

YOU KNOW, we Americans don't work any longer or any harder than does the Chinese coolie. In fact, it is really the other way around. Nor is it likely that the native intelligence of Americans is inherently higher than the native intelligence of the people in many of the countries from which our forefathers migrated. Thus it seems to me that the only possible reason for our great productivity is tools. But tools come from savings. And savings are invested only in the hope of profit. Thus it is rigorously correct to say that the high level of living of the American people is based squarely on the availability of adequate profits.

In 1850, about 13 per cent of all work in America was done by the muscle power of human beings. More than half was done by horses, mules, and oxen. A hundred years later, the amount of human energy supplied to production in America had dropped to a fraction of one per cent. Horses, mules,

and oxen became a rarity in production because they just couldn't compete with a man behind a machine. Of all the energy used in American production today, about 99 per cent is inanimate. An 1850 worker would require three weeks — at 70 hours per week — to produce as much as the average American worker now produces in a 40-hour week.

Heavy capital investment in productive facilities and lavish use of mechanical power are the causes of our unprecedentedly high — and still rising — level of living. But if this growth is to continue in the face of our rapidly increasing population, we shall need still larger amounts of capital and correspondingly attractive profits.

As the London *Economist* puts it: "If our children are going to produce twice as much as we do, they are not going to do it by working harder than we do, or by being cleverer than we are, but by having twice as many inanimate slaves to assist them. The way to plenty is to build up the national capital of machines, of buildings to house them in, of power to drive them, and of communications between them."

But just as it takes capital to provide the tools that create a job; so it also takes sales to supply the profits which support that job after it has been created. And last year, at U. S. Steel, it took \$15,300 worth of sales to maintain the job of each man and woman on our payroll, exclusive of those engaged in construction.

Most of this \$15,300, of course, went to pay for the wages, the materials, and the other costs of producing our finished products. And when all those costs had been met, only 9 per cent remained as profit.

Now where did that profit go? Well every penny of it went to provide or sup-

port jobs of some kind. For when you stop to analyze it, there is no place that a profit can go except into a job. If it is used to replace existing facilities, it maintains jobs that already exist. If it is used for expansion, it provides new jobs. If it is paid out in dividends, it is either spent — thus giving work to the man who produced the product purchased — or it is saved and invested in new tools of production and new jobs.

And so we come back to the major question: What is an adequate profit? How large should a profit be? Well, I feel I should answer that one the way Abe Lincoln replied to the tailor who asked him how long he should make the Great Emancipator's shirttail.

"It should be large enough to cover the subject," Mr. Lincoln said.

AND so it is, I think, with a profit. A profit must be large enough, first, to cover the inflated cost of replacing existing facilities and protecting existing jobs, so long as the present unrealistic depreciation provisions remain unchanged in tax law. In addition, it must also be large enough to provide or attract the capital necessary to expand production and create new jobs, new products, and new sales. And finally, it must provide a dividend large enough to pay the shareowners in the business a fair return — or rental, if you will — upon the tools and facilities which they have already supplied to the workers.

So I do not think that you can define the words "adequate profit" in mathematical terms of 10, 15, or 20 per cent. The measure of its adequacy is to be found only in its ability to do the job that a profit must do in the particular company or industry

in question. And the same standard of measurement, it seems to me, must be used when we speak of a "fair return" for the stockholder.

We know that if we do not pay a "fair wage" to our workers, they will not work for us. And if we do not pay a "fair return" to the stockholder, he will not save and invest and provide the capital that this rapidly growing nation of ours must have.

So, as I said at the outset of this somewhat simple discourse, I do not know whether the song writer was 100 per cent right when he said that "Diamonds Are a Girl's Best Friend."

But the more I see of industrial life and the functioning of the great economy in this country, the more I become convinced that a profit in the company for which he works is one of the finest friends a Working Man can have. Without profits he not only doesn't have a new or better job — he may lose the one he has. Without profit in his company — and in other companies throughout the land — there will be no newly created jobs for that Working Man's sons and daughters who are coming along. Without profit, savings would be less and investors who create jobs would have little or nothing to invest.

So let the girls have their diamonds if you will, but leave our Working Man with profits in his company. For profits are the Working Man's best friend!

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